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Frederic Lee Klein  
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December 17, 2004

Mary L. Cottrell  
Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

**Re: Petition of Massachusetts Electric Company, Nantucket Electric Company,  
and New England Power Company for Approval of an Offer of Settlement;  
D.T.E. 02-79, D.T.E. 03-124, D.T.E. 03-126**

Dear Ms. Cottrell:

Select Energy, Inc. ("Select") hereby files reply comments in the above-referenced proceeding. Select has reviewed the comments filed on behalf of Constellation New Energy and Constellation Energy Commodities Group ("Constellation"), Massachusetts Division of Energy Resources, The Energy Consortium and Northeast Energy Efficiency Council (collectively "DOER") and Dominion Retail, Inc. ("Dominion").

As discussed below, Select generally agrees with the comments filed by Constellation and DOER. While Select agrees with Dominion that deferral of these costs would harm customers and competition, Select does not agree that the settlement should be rejected in its entirety. Rather, Select submits that Massachusetts Electric Company ("MECO") is entitled to recover the costs incurred to serve its Standard Offer customers. However, cost recovery should neither be unduly delayed nor cast upon customers who were not responsible for incurring those costs.

The settlement seeks to recover costs incurred to supply Standard Offer customers. Hence, the settlement should seek to recover those costs from Standard Offer customers who will be transitioning to Default Service following the expiration of Standard Offer. As noted by DOER on page 3 of their comments:

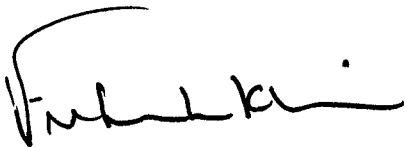
"The more than 1.6 million Standard Offer customers are more than enough to absorb the costs that were incurred to serve them. By contrast, the alternative of recovering the deferred Standard Offer costs through distribution rates would force other customers – competitive supply and default service customers – to pay costs that were incurred to serve Standard Offer customers. Competitive supply and default service customers have already paid their own supply costs. They should not now be asked to pay Standard Offer customers' supply costs" [footnote omitted].

Select also believes that recovery of costs should not be unduly delayed. To do so would burden tomorrow's customers with the costs incurred to serve customers today. The Offer of Settlement proposes to defer collection until 2010 in order to obtain short-term rate relief. Select believes that this approach is unfair, sends inappropriate market signals and will be deleterious to the competitive retail market. Accordingly, Select also concurs with DOER that:

"As the Department has recognized, it is simply bad policy to push today's costs off into the future. ... While rate increases are unpleasant, customers are better off in the long run if supply costs are addressed today, and not put off to tomorrow."

Accordingly, Select supports DOER's position that the Department direct MECO to recover those costs through a surcharge on Default Service rates directed at those Default Service customers that transition from Standard Offer (i.e., today's Standard Offer customers). An alternative would be to impose the surcharge on Default Service rates for all Default Service customers. Select also agrees that the cost recovery period should be as short as possible consistent with keeping the rate impacts reasonable, e.g., 12 to 24 months. However, as noted by Constellation at page 18 of its comments, the surcharge should begin on May 1, 2005, to ensure the integrity of MECO's recent RFP and the expectation of bidders in response to the RFP.

Respectfully submitted

A handwritten signature in black ink, appearing to read "John Geary", with a stylized flourish at the end.

cc: John Geary, DTE  
All Parties